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Hello Everyone,

We hope the start of the New Year has been excellent for everyone. We know it's early, but it's getting to that time of year when you have to start thinking about your taxes. As a reminder, the tax filing date for this year is April 18, 2017. This is also the last date to consider funding your IRA or Roth IRA. Also, be on the lookout for all of your investment related tax forms after February 15, 2017. If there are corrections to these forms, we will let you know as soon as we can.

Also, you may have heard about a new Department of Labor Law that affects our industry and the way we can manage investments for clients. Over the next few months, we will continue to get clarity on how this new law will effect us and in turn if it will have any effect on you the client. Rest assured that we will reach out to you if it has any effect on you. In the meantime, please don't hesitate to contact the office if you have questions about this or anything else.

1Q 2017

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DOLLARS ♦ Sense

Quiz: How Much Do You Know About Social Security Retirement Benefits?



Social Security is an important source of retirement income for millions of Americans, but how much do you know about this program? Test your knowledge, and learn more about your retirement benefits, by answering the following questions.

Questions

1. Do you have to be retired to collect Social Security retirement benefits?

- a. Yes
- b. No

2. How much is the average monthly Social Security benefit for a retired worker?

- a. \$1,360
- b. \$1,493
- c. \$1,585
- d. \$1,723

3. For each year you wait past your full retirement age to collect Social Security, how much will your retirement benefit increase?

- a. 5%
- b. 6%
- c. 7%
- d. 8%

4. How far in advance should you apply for Social Security retirement benefits?

- a. One month before you want your benefits to start.
- b. Two months before you want your benefits to start.
- c. Three months before you want your benefits to start.

5. Is it possible for your retirement benefit to increase once you start receiving Social Security?

- a. Yes
- b. No

Answers

1. b. You don't need to stop working in order to claim Social Security retirement benefits. However, if you plan to continue working and you have not yet reached full retirement age (66 to 67, depending on your year of birth), your Social Security retirement benefit may be reduced if you earn more than a certain annual amount. In 2017, \$1 in benefits will be deducted for every \$2 you earn above \$16,920. In the calendar year in which you reach your full retirement age, a higher limit applies. In 2017, \$1 in benefits will be deducted for every \$3 you earn above \$44,880. Once you reach full retirement age, your earnings will not affect your Social Security benefit.

2. a. Your benefit will depend on your earnings history and other factors, but according to the Social Security Administration, the average estimated monthly Social Security benefit for a retired worker (as of January 2017) is \$1,360.¹

3. d. Starting at full retirement age, you will earn delayed retirement credits that will increase your benefit by 8% per year up to age 70. For example, if your full retirement age is 66, you can earn credits for a maximum of four years. At age 70, your benefit will then be 32% higher than it would have been at full retirement age.

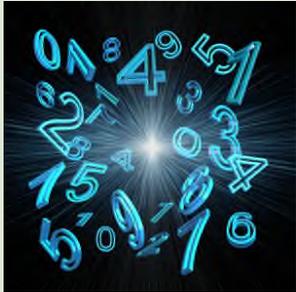
4. c. According to the Social Security Administration, you should ideally apply three months before you want your benefits to start. You can generally apply online.

5. a. There are several reasons why your benefit might increase after you begin receiving it. First, you'll generally receive annual cost-of-living adjustments (COLAs). Second, your benefit is recalculated every year to account for new earnings, so it might increase if you continue working. Your benefit might also be adjusted if you qualify for a higher spousal benefit once your spouse files for Social Security.

For more information, visit the Social Security Administration website, ssa.gov.

¹ Social Security Fact Sheet, 2017 Social Security Changes

Key Retirement and Tax Numbers for 2017



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2017.

Retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$18,000 in compensation in 2017 (the same as in 2016); employees age 50 and older can defer up to an additional \$6,000 in 2017 (the same as in 2016).
- Employees participating in a SIMPLE retirement plan can defer up to \$12,500 in 2017 (the same as in 2016), and employees age 50 and older will be able to defer up to an additional \$3,000 in 2017 (the same as in 2016).

IRAs

The limit on annual contributions to an IRA remains unchanged at \$5,500 in 2017, with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2016	2017
Single/head of household (HOH)	\$61,000 - \$71,000	\$62,000 - \$72,000
Married filing jointly (MFJ)	\$98,000 - \$118,000	\$99,000 - \$119,000
Married filing separately (MFS)	\$0 - \$10,000	\$0 - \$10,000

Note: The 2017 phaseout range is \$186,000 - \$196,000 (up from \$184,000 - \$194,000 in 2016) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.

The modified AGI phaseout ranges for individuals making contributions to a Roth IRA are:

	2016	2017
Single/HOH	\$117,000 - \$132,000	\$118,000 - \$133,000
MFJ	\$184,000 - \$194,000	\$186,000 - \$196,000
MFS	\$0 - \$10,000	\$0 - \$10,000

Estate and gift tax

- The annual gift tax exclusion remains at \$14,000.
- The gift and estate tax basic exclusion amount for 2017 is \$5,490,000, up from \$5,450,000 in 2016.

Personal exemption

The personal exemption amount remains at \$4,050. For 2017, personal exemptions begin to phase out once AGI exceeds \$261,500 (single), \$287,650 (HOH), \$313,800 (MFJ), or \$156,900 (MFS).

Note: These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2016 threshold amounts were \$259,400 (single), \$285,350 (HOH), \$311,300 (MFJ), and \$155,650 (MFS).

Standard deduction

These amounts have been adjusted as follows:

	2016	2017
Single	\$6,300	\$6,350
HOH	\$9,300	\$9,350
MFJ	\$12,600	\$12,700
MFS	\$6,300	\$6,350

Note: The 2016 and 2017 additional standard deduction amount (age 65 or older, or blind) is \$1,550 for single/HOH or \$1,250 for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.

Alternative minimum tax (AMT)

AMT amounts have been adjusted as follows:

	2016	2017
Maximum AMT exemption amount		
Single/HOH	\$53,900	\$54,300
MFJ	\$83,800	\$84,500
MFS	\$41,900	\$42,250
Exemption phaseout threshold		
Single/HOH	\$119,700	\$120,700
MFJ	\$159,700	\$160,900
MFS	\$79,850	\$80,450
26% on AMTI* up to this amount, 28% on AMTI above this amount		
MFS	\$93,150	\$93,900
All others	\$186,300	\$187,800
*Alternative minimum taxable income		



¹ U.S. Preventive Services Task Force, *Cognitive Impairment in Older Adults: Screening*, March 2014

² *The Healthy Brain Initiative: The Public Health Road Map for State and National Partnerships, 2013-2018: Chicago, IL: Alzheimer's Association; 2013*

³ Alzheimer's Association, alz.org

⁴ U.S. Department of Health and Human Services (most recent government data available), longtermcare.gov

⁵ U.S. Department of Health and Human Services (most recent government data available), longtermcare.gov

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the long-term care policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.

Don't Forget to Include Memory Loss When Planning for Retirement

When planning for retirement, an important factor that is often overlooked is the potential for declining cognitive skills associated with aging. Cognitive impairment (CI), often attributable to dementia or Alzheimer's disease, can have profound implications for your overall health and well-being, particularly during retirement. The cost of care can absorb income and significantly deplete retirement savings. It can also deprive you of the ability to effectively manage your financial affairs.

Cognitive impairment — a growing concern

The possibility of suffering from some form of cognitive impairment later in life is real. Dementia affects approximately 2.4 to 5.5 million Americans. Its prevalence increases with age: 5% in persons ages 71 to 79, 24% in those ages 80 to 89, and 37% in those 90 and older.¹ One in eight adults age 60 and older (12.7%) experiences confusion or memory loss that is happening more often or getting worse. Unfortunately, among these individuals, only 19.3% discuss these changes with a health-care provider. Additionally, 34.5% of those affected by CI live alone.²

Financial impact of the cost of care

Dementia, including Alzheimer's, is the most costly disease in the United States and is set to increase like no other. In 2016, Alzheimer's and other forms of dementia will cost the United States an estimated \$236 billion. By 2050, this number is expected to grow to more than \$1.2 trillion. Among all nursing home residents, more than 64% have been diagnosed with Alzheimer's or another dementia. Alzheimer's is the sixth highest cause of death in the United States.³

Unfortunately, those suffering from advanced stages of cognitive impairment often require long-term care. The cost of care can quickly deplete your retirement savings and affect the quality of life for you and your family, leaving little or no income or savings. Average costs of long-term care include the following:⁴

- \$6,235 per month, or \$74,820 per year, for a semi-private room in a nursing home
- \$6,965 per month, or \$83,580 per year, for a private room in a nursing home
- \$3,293 per month for a one-bedroom unit in an assisted living facility
- \$21 per hour for a home health aide
- \$19 per hour for homemaker services
- \$67 per day, or roughly \$2,010 per month, for services in an adult day health-care center

The cost of long-term care depends on the type and duration of care you need, the health-care provider you use, and where you live. While one-third of 65-year-olds may never need long-term care, 20% will need it for more than five years.⁵

Loss of ability to manage finances

Your financial plan should consider not only the potential cost of care if you or your spouse suffer from cognitive impairment, but also determine who will make financial decisions about your care.

Even if you suffer from mild cognitive impairment (MCI), you may find it more difficult to manage investments or a household budget. If you are the primary money manager and experience declining cognitive skills, your spouse could be left financially vulnerable.

Make it part of your plan

A comprehensive financial and legal plan is important. It is helpful to prepare as early as possible. Some families use the services of an elder law attorney.

There may come a time when you can no longer make decisions for yourself, including financial and health-care decisions. This can create a hardship for a caregiver trying to conduct financial transactions and make medical decisions. Several types of legal documents can be written before they are needed to help you and family members through this difficult time. These documents include, but are not limited to, an advance medical directive, a medical power of attorney or health-care proxy, and a durable power of attorney, which allows a representative or agent to make financial decisions and transactions on your behalf, should you become unable to do so.

There are generally three ways to pay for long-term care expenses: use your own income and savings, share the cost of care through some form of private insurance, and/or seek the assistance of state or federal government programs, such as Medicare and Medicaid. The choices you make will likely depend on several factors, including your financial and family situation, your age, and your state of residence. In any case, it's wise to consider the ramifications of cognitive impairment when planning for retirement.

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When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card technology grows, the answer to that question is less clear.

The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

How does it work? Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

Why does it take longer to check out? The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an

identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

Why aren't some terminals working yet? You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

How much longer will I have to carry a physical card? The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.